

Message Text

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44

ACTION NEA-12

INFO OCT-01 EUR-25 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SPC-03 SS-20 STR-08 TRSE-00 OPIC-12

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R 201333Z MAR 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 9085

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY LONDON

USMISSION OECD PARIS

AMEMBASSY TEHRAN

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C O R R E C T E D C O P Y G A R B L E S T H R O U G H O U T T E X T

BEIRUT PASS BAGHDAD

STATE ALSO FOR T/IEP

E.O. 11652: N/A

TAGS: ENRG, KU

SUBJECT: NATIONAL ASSEMBLY COMMITTEE REJECTS PARTICIPATION
AGREEMENT

REF: KUWAIT 0946

BEGIN LIMITED OFFICIAL USE:

SUMMARY: NATIONAL ASSEMBLY FINANCE AND ECONOMICS COMMITTEE
REFUSED MARH 17 TO ACCEPT TERMS PARTICIPATION AGREEMENT

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SIGNED BY GOK AND OIL COMPANIES. WHILE ACCEPTING PRINCIPLE

OF PARTICIPATION, COMMITTEE RECOMMENDED THAT AGREEMENT BE RENEGOTIATED. IN ITS REPORT IT SAID GOK SHOULD TAKE OVER 100 PERCENT OWNERSHIP NOT LATER THAN 1979, AND THAT IT SHOULD ACQUIRE OWNERSHIP IN 1974 OF KOC REFINERY, LPG PLANT AND OTHER FACILITIES. PARLIAMENTARY COMMITTEE ALSO RECOMMENDED THAT BUY BACK PRICE SHOULD NEVER BE BELOW POSTED PRICE, AND WE BELIEVE THIS WILL BE THORNIEST ISSUE FOR GOK AND COMPANIES TO RESOLVE. LOOKS AS THOUGH SOME MODIFICATION IN PRESENT AGREEMENT WILL BE NECESSARY IF NATIONAL ASSEMBLY AGREEMENT IS TO BE SECURED. END SUMMARY. END LIMITED OFFICIAL USE

BEGIN UNCLASSIFIED

1. AS INDICATED REFTEL, NATIONAL ASSEMBLY FINANCE AND ECONOMICS COMMITTEE HAS NOT REPEAT NOT ACCEPTED TERMS OF PARTICIPATION AGREEMENT SIGNED JANUARY 1974 BY GOK AND KOC OWNERS GULF AND BP. COMMITTEE ACCEPTED PRINCIPLES OF PARTICIPATION

WHICH AMOUNT TO REJECTION NATIONALIZATION. COMMITTEE, HOWEVER, HAS RECOMMENDED THAT AGREEMENT IN ITS PRESENT FORM SHOULD BE REJECTED AND THAT IT SHOULD BE RENEGOTIATED.

2. FOLLOWING IS SUMMARY OF MAIN POINTS OF COMMITTEE REPORT DESCRIBED IN LOCAL PRESS MARCH 19:

A. THAT THE GOVERNMENT'S SHARE SHOULD NOT BE LESS THAN 60 PERCENT IN 1974 AND SHOULD GRADUALLY INCREASE IN COMING YEARS TO BECOME 100 PERCENT WITHIN A SPECIFIED TIME, NOT LATER THAN 1979 WHEN THE GOVERNMENT SHOULD HAVE FULL OWNERSHIP OF VARIOUS RIGHTS, CONCESSIONS, AND INSTALLATIONS RELATED TO OIL PRODUCTION.

B. THAT BY THE YEAR 1974 THE STATE SHOULD ACQUIRE OWNERSHIP OF KOC'S OIL INSTALLATIONS, REFINERY, GAS INSTALLATIONS, OIL AND GAS LOADING FACILITIES, AS WELL AS THE RIGHTS FOR BUNKERING LIMITED OFFICIAL USE

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SHIPS AND REFUELLING AIRCRAFT. NATIONAL CONTROL OVER THE COUNTRY'S REFINING OPERATIONS AND INCREASE OF SUCH REFINING OPERATIONS DEMAND AS A FIRST STEP CONTROL OVER THE EXISTING INDUSTRIAL AND OIL INSTALLATIONS AS PRELIMINARY TO THEIR EXPANSION.

C. THAT NO RESTRICTION SHOULD BE PLACED ON

THE STATE'S FREEDOM TO DISPOSE OF ITS SHARE OF OIL IN ANY MANNER IT DESIRES, AND THAT IN THE EVENT OF BUY-BACK OF THE GOVERNMENT'S SHARE OF OIL BY COMPANIES, PRICE SHOULD NEVER BE BELOW THE POSTED PRICE.

D. THAT VOTING RIGHTS IN RESPECT OF DECISIONS TO BE ADOPTED IN MATTER OF OIL OPERATIONS SHOULD BE IN PROPORTION TO EACH PARTY'S RESPECTIVE SHARE AND TO THE EXTENT OF EACH PARTY'S DUTIES AND RESPONSIBILITIES.

E. THAT THE ARABIC TEXT OF THE AGREEMENT SHOULD BE THE ACCEPTED TEXT FOR INTERPRETING THE AGREEMENT AND THAT KUWAITI COURTS SHOULD BE THE ONLY COMPETENT AUTHORITIES TO DECIDE IN CASE OF ANY DIFFERENCES IN THE INTERPRETATION OF THE PROVISIONS OF THE AGREEMENT.
END UNCLASSIFIED/ BEGIN LIMITED OFFICIAL USE

3. COMMENT: SO FAR THERE HAS BEEN NO PUBLIC REACTION BY GOK OR COMPANIES. WE BELIEVE NEWSPAPER REPORT IS ACCURATE AND THAT COMMITTEE'S DECISION WILL REQUIRE RENEWED NEGOTIATIONS BETWEEN GOK AND COMPANIES. WE BELIEVE MOST DIFFICULT SUBSTANTIVE ISSUE IN LIGHT COMMITTEE'S INSTRUCTIONS WILL BE IN CONNECTION WITH BUY-BACK PRICE.
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